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C O N F I D E N T I A L SECTION 01 OF 02 DUBLIN 000296

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E.O. 12958: DECL: 01/31/2015

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SUBJECT: IRISH GIVE GREEN LIGHT FOR NEGOTIATING OPEN SKIES  
ARRANGEMENT

REF: DUBLIN 177

Classified By: Ambassador James C. Kenny; Reasons 1.4 (B) and (D).

1. (C) Summary: On March 8, Transport Minister Martin Cullen informed the Ambassador that Ireland was prepared to pursue a new bilateral aviation arrangement, along the lines of the Open Skies approach outlined in reftel discussions. Transport officials requested USG proposal texts as the first step in moving to follow-on discussions. Minister Cullen noted that a new bilateral relationship would be central to a larger air transport strategy that involved the possible privatization of Aer Lingus, the separation of the Irish airports authorities, and the building of a new airport terminal in Dublin. End summary.

Getting to Yes  
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2. (C) In a March 8 meeting, Transport Minister Martin Cullen informed the Ambassador that the Irish Government Cabinet had, earlier in the day, authorized the Transport Department to pursue a new bilateral aviation arrangement with the United States. (Per reftel, Transport officials expressed interest in an Open Skies arrangement during February 7 discussions with State Department Deputy Assistant Secretary for Transportation Affairs, John Byerly, and

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Department of Transportation Director for International Aviation, Paul Gretch.) Cullen noted that the Transport Department had spent the preceding weeks marshaling political will among GOI agencies, including the Department of Foreign Affairs, to support the move to a new bilateral arrangement. On March 8, the Cabinet delivered the judgment that "Ireland needed to do this." Cullen expressed his preference that the U.S. and Irish sides move as quickly as possible to next steps.

3. (C) The Ambassador welcomed the news and noted that an Open Skies arrangement would significantly benefit both sides. Restrictions at Shannon, he pointed out, had led a number of U.S. carriers to avoid the Irish market, to the detriment of both sides' economies. He added that Open Skies would be a boon to the Irish aviation sector, which was unique in Europe in boasting two profitable major airlines (Aer Lingus and Ryanair). The Ambassador also observed that senior Administration officials had been instrumental in the USG's original formulation of Open Skies policy and would be happy to hear of the GOI's decision.

4. (C) Transport's Director General for Aviation, John Murphy, who attended the meeting with the Ambassador along with the Minister's Advisor, Colin Hunt, said that he would call DAS Byerly to activate the steps outlined in reftel paras 8 and 9 and to request USG proposal texts for GOI review. (Murphy made the phone call later the same evening.) Murphy noted that the first priority should be to identify the best arrangement for both sides. Second, it was important that the arrangement pass legal muster, and he mentioned that Ireland's Attorney General's office was engaged on the issue.

A Low-key Approach  
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5. (C) Minister Cullen said that the GOI did not plan to issue a press statement on the Cabinet decision, preferring to pursue follow-on talks with the USG in a low-key manner. He noted, however, that he would welcome a St. Patrick's Day discussion between Prime Minister Ahern and President Bush on the prospects for a new aviation relationship. Cullen acknowledged that the U.S. side would need to consult with industry on proposal texts and that this necessity would put this issue into the open, possibly ahead of St. Patrick's Day. He noted that the GOI had no plans at the moment to inform the Commission, though it was likely that word from industry would arrive in Brussels quickly. Cullen quipped that Dublin had "heard enough" from Brussels this week (alluding to Commission-Ireland dudgeon associated with the GOI's March 2 decision to withdraw a euro 170 million grant to Intel under threat of a Commission investigation.)

Open Skies as Part of a Larger Strategy  
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16. (C) Cullen said that a new U.S.-Irish aviation arrangement was central to a larger air transport strategy that involved the possible privatization of Aer Lingus, the separation of the Irish airports authorities, and the building of a new airport terminal in Dublin. The Ambassador observed that a new terminal would embody Ireland's economic success and would create the kind of initial impression that would help Ireland to attract foreign visitors and investment. He cited comments from U.S. visitors on transit problems at Heathrow and the advantages in making European connections in Dublin. Cullen said that the Dublin terminal would be designed with an eye to capturing a portion of the Heathrow market. A challenge in that effort, added Murphy, would be to build a terminal that was large enough for such purposes but sufficiently cost-effective to attract low-cost carriers.

17. (C) Comment: Post would greatly appreciate USEU and Embassies in other Member States not discussing this development with host government civil officials. The U.S. and Irish sides will be working out the best way to play this issue publicly in the coming weeks, particularly in the context of the U.S.-EU aviation negotiations.  
KENNY